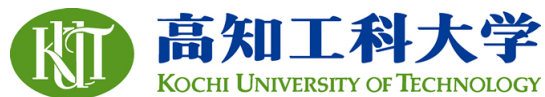


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Community Joint-Mission as Regional Business Platform ---Comparative study of three different scaled communities ---

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ABSTRACT: Regional disparity is one of the most serious social issues in recent Japan. To develop local businesses for encouraging regional economy, there are many barriers, such as lack of natural resource, human resource, investment, technology, and so forth. In many stagnated local areas, resource deficiency is a large obstacle for development. However, even in such local areas, most of the local people have some intangible asset on human relationship through historically cultivated joint-mission, indicated as a sense of solidarity, hometown feeling, social responsibility, or some kinds of common ethics. Such human relationship is itself a significant local asset to establish regional business. This paper compares three different scaled communities, to clarify the importance of joint-mission to establish business platform in local regions and to discuss about how to utilize such a platform for a business scheme.

Case 1 Tourism business in Taketomi island: The sense of solidarity in the small island was an indispensable factor for their business success.

Case 2 Managing local hospitals in Kochi city: Chikamori-Kai has established close communication and tight linkage on medical services with many personal clinics, based on the local city community, and it was a key element for their business success.

Case 3: Vegetable grocery connecting Kochi and Osaka areas: Tosa-Senri, established a strong linkage with many farmers in Kochi and also with many customers in Osaka, and could sell many items to realize superior sales amount.

The three cases imply that human network and joint-mission shall be a significant basis for establishing platform of local business and prosperity of local areas.

KEYWORD: regional disparity, joint-mission, local business

1. INTRODUCTION AND BACKGROUND

The 21th century is called as an era of “Knowledge-based Society.” The characterization of “Knowledge” in this context was done by many researchers in 1990’s. J. L. Badaracco Jr. (1991) and I. Nonaka (1995) have analyzed that there are two kinds of knowledge; one is “explicit knowledge” and another is “tacit knowledge.” Explicit knowledge is portable because it is expressed as

documentations or some other tangible information outside of human beings, but in contrast, tacit knowledge is not portable because which is embedded inside of human beings as intangible asset. Innovation is created by the circulation of explicit knowledge and tacit one, and sharing tacit knowledge among people is one significant moment to induce innovation as well as circulation of explicit knowledge by the information network, Nonaka explained.

Regarding competence of enterprises in the current world, M. E. Porter (1990) mentioned that forming regional industrial cluster, like IT (information technology) industry cluster in Silicon Valley, can be one of the hopeful competitive power to encourage them. Because Porter pointed out the significant role of knowledge (technology, business know-how, innovative idea, and so on) for forming such an industrial cluster, Porter's concept on clustering can be characterized as the knowledge linkage among regional people in which they can share their tacit knowledge on business/industry, as schematically shown in the figure 1. Porter's argument on current competence of industries is connected with the significance of tacit knowledge linkage among people for encouraging innovation and enhancing strength of enterprises/industries.

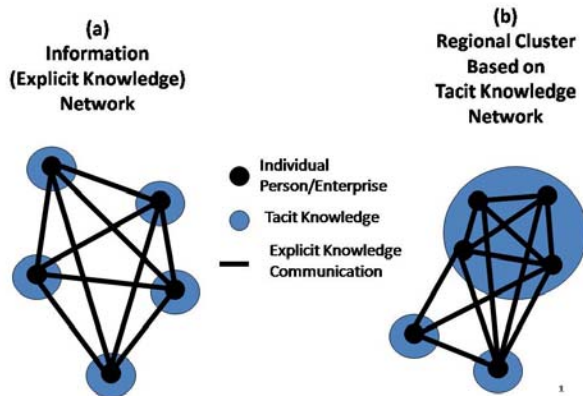


Fig. 1. Schematics of regional cluster as tacit knowledge linkage

On the other hand, this era is also called as the era of globalization and information network. In many industries, the rapid growth of market resulted standardization and normalization of technologies and items for low-cost mass production and convenience of service/manufacturing. The typical example is that operation system of

computers is almost standardized by “Windows” of Microsoft all over the world. The standardization based on information network is called as “Business Platform”, in that sense. A. Gawer & M. A. Cusumano (2002) referred to the characteristics of this kind of phenomena in detail, and emphasized the significance of taking leadership on business platform to survive in the current crucial market.

The standardization, as a business platform based on information network, is basically an issue of explicit knowledge. Our remained question is “what is a business platform based on tacit knowledge?” because tacit knowledge is one other important element for innovation and competitiveness of contemporary enterprises.

This paper discusses about the role of local people's joint-mission regarding the issue of “tacit knowledge network” for business innovation and what is the business platform based on tacit knowledge network or human network, particularly in respect to regional development issue.

For this purpose, the paper describes three typical cases in Japan, regarding how the human network and joint-mission, as a connecting people in the network, contributes to current business. Each case belongs to different business category and has a different scale of business, market, and organization. Through comparing these three cases and analyzing the similarity and difference, the common characteristics of business architecture and the role of human network and joint-mission are discussed in the later section. The detailed framework of research and the viewpoint for comparative analysis are explained in the next section.

2. FRAMEWORK OF RESEARCH

To discuss about the issue of joint-mission for

forming human network combined with tacit knowledge and its' role for establishing business platform, three different cases in Japan are observed.

Selection of the object cases

The main point of comparative analysis of three cases is to clarify the “common” characteristics of joint-mission and human network as the basis for each business. Therefore, three complete different business cases are intentionally selected to observe, indicated as follows.

Name of companies and their industry fields

Case 1: Taketomi-jima Koutsuu; a transportation (operating touring bus for sight-seeing) company

Case 2: Chikamori-kai; a medical service company

Case3:Tosa-Senri; a vegetable grocery company

Scale of business; rough number of target people, and market area

Case 1: about 500 people in about 10km.sq

Case 2: about 100,000 people in about 100km.sq

Case3:about 150,000 people in about 15,000km.sq

Through comparing these three different cases on business field, market size and business scale, the commonness among them will be abstracted lately.

Viewpoint of comparative analysis

The viewpoint of analysis is to analyze what is the key to build their business model, regarding organization and knowledge management. Particularly, there are three detailed viewpoints to analyze the cases, as follows.

Viewpoint for business model

Point 1: How were the organization and the human network established?

Point 2: How do they obtain profits?

Or how do they enlarge their business?

Since this research is focusing on joint-mission and human network in the cases, the following characteristics of them are also carefully observed.

Characteristics of joint-mission and human network

Point 3: What is joint-mission and how was it established?

Point 4: How do they communicate and what is the linkage among people?

Point 5: What is the benefit for each member of human network and organization?

By the analysis on three cases through these viewpoints and observing items, the similarity and the difference of the cases will be discussed in the later sections.

3. CASE STUDIES

The overview of business and historical background of three cases are described as follows.

3.1 Case 1.: Taketomi-jima Koutsuu; a transporting company

-Small scale regional business in small isolated island-

Taketomi-jima is a small island in southern part of Japan, more than 2000km far from Tokyo. The size of the island is indicated by around 9 kilometers peripheral and 3kilometers diameter. The total number of residents is around 350. They have total 34 students for elementary school and junior high school. There is only one doctor in the island. They strongly respect their traditional island culture, as shown in the example of Tanetori-Matsuri (harvest festival).

Although the island is very small, they have around four hundred thousand tourists in a year recently, because the semitropical nature of the island is very beautiful and has been getting popular to attract many people in Japan nowadays.

Although it is a very small island, there were total eighteen tour bus companies right after the second

world-war. They were disorderly operating their business each by each, without any attention to customers' convenience. It might be some kinds of confusion right after the war, but the confusion has been continued for a long time in this small island.

Mr. Manabu Uema, a present executive director of Taketomi-jima Koutsuu corporation, a transportation company, came back to the island from the outside with his daughter fourteen years ago at that time. He mentioned that he was shocked by such disordering business situation because he thought that those businesses would never work well in such a disordered manner. He made up his mind to unite those separate companies to realize rational manner of business for them to survive. However, it was not so easy that he had to spend five years to convince all of those companies.

Finally he has successfully convinced those separate companies to unite to one company. The decisive word for convincing them was as follows, he said. "If you do not unite to realize a rational business system, all of your business should be lost and your children will never stay in this small island. Don't you mind about such a miserable situation?" By his constructive proposal, they jointed to realize one rational tour bus company eventually, and the profit of the people increased by the united company. After that, island people became to have closer communication and tighter linkage to encourage each other.

After uniting those people, Mr. Uema enlarged the business to many fields, related to maintain daily lives of island people, such as postal service and delivery service. He is also aiming to launch super-market business in the island in the future. These varieties of businesses are needed for

supporting island people's daily lives. All of these businesses should be managed by the island people for the island people themselves. "Because this is so tiny island, the people should help each other to survive. That's community lives, and community business," he said.

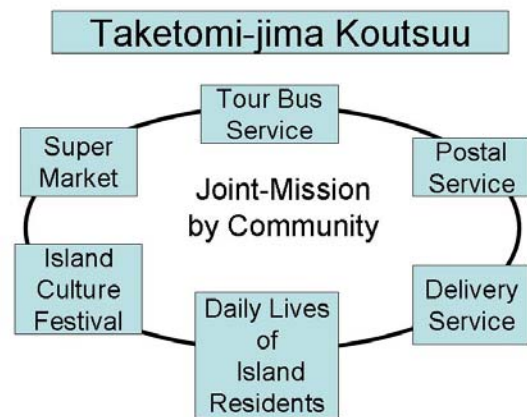


Fig. 2. Schematics of business and network in case 1.

3.2 Case 2.: Chikamori-kai:

a medical service company

-Middle scale regional business in rural city-

Kochi city, located in Shikoku Island, is larger than Taketomi-jima island but not so large comparing to Tokyo, Osaka, or other large cities in Japan. The total population of Kochi city is around three hundred thousand. Chikamori-kai has been offering medical service in the center of Kochi city for over sixty years. Now they have about 1200 employees (1500 in case of including outsource power), and about 650 inpatients a day, about 650 outpatients a day, and over 10,000 patients a year (mostly patients from Kochi Pref.)

In the viewpoint of business, the remarkable virtue of this medical organization is their excellent financial status. The total revenue in 2006 was

about 13.3 billion yen and the profit of the same year was about 750 million yen (about 5.7% of the revenue). The revenue was over 3 times of that of 1984. Also, during those two decays, the profit was increased to almost twice, the number of the doctors also to five times, the number of the nurse to ten times, the total number of employees to three times, the number of patients to tree times, as well.

One reason of the good financial status attributes to their good unit price of hospital charge. For example, in the Chikamori hospital, one of their four group hospitals, the average hospital charge is about 70,000 yen per person a day, which is the top level high price in Japan. Then the question is why they can earn such a high hospital charge. For this question, there are two keys. One thing is they have very sophisticated high-tech medical facilities and highly trained medical doctors for critical or acute illness. The treatments for critical or acute illness are generally high priced. Another thing is they have formed tight collaboration linkage with regional doctors and private small clinics to secure the patients for those high priced medical treatments, as shown in Fig.2. They built a system that they transfer patients with light disease to regional doctors, and the regional doctors transfer heavy patients to Chikamori.

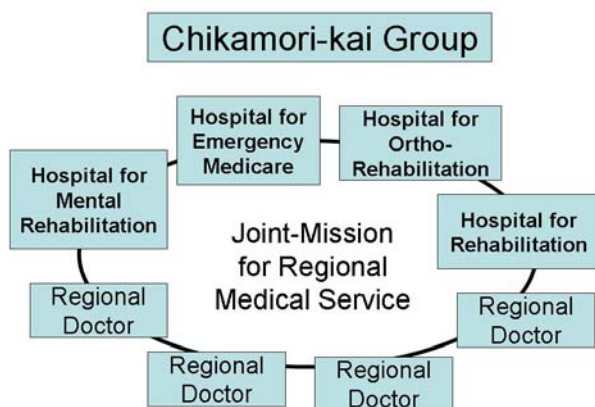


Fig. 3. Schematics of business and network in case 2.

By establishing this system, both sides became to have good financial status, because the regional doctors can keep many patients stably, and Chikamori-kai can also stably keep a number of heavy patients. It is a good combination and an organized positioning strategy for realizing nice regional medical service for rural residents.

This kind of tight collaboration linkage with regional doctors cannot be easily built, particularly in large city or metropolis, because it needs to have a close, daily relationship and face-to-face communication between two sides. It could be built in a middle size community city like Kochi, but it would be very difficult to be built in large city or metropolis because of the difficulty of such close relationship. In fact, Chikamori-kai has been making effort to form such a close relationship with the doctors, by holding many free training lectures to inform up-to-date medical technologies or exchanging the detailed information of patients and treatment facilities of each other and so forth. This close linkage of the human network is the very basis of their profitable business model.

3.3 Caes3: Tosa-Senri:

a grocery store in Senri New Town in Osaka

-General retail business in large city-

Tosa-Senri is selling vegetables and many other food items produced in Kochi. The employee numbers were only two and they hired about ten temporary staffs. They were selling vegetables/food items produced in Kochi prefecture. Their customers were the residents in Senri New Town, a large residential area in the north Osaka. Senri New Town was built in the north part of Osaka, at 12 km far from the center of Osaka city, around 1960. It is a large scale residential district which includes department stores, shopping malls, libraries,

primary schools, junior high schools, high schools, many offices and so on. The total area is about 15,000km.sq and the total number of the residents once reached up to 130,000. Of course, the actual customers of Tosa-Senri were limited because the size of the store was not so large. However, they were dealing with many indefinite consumers in Senri New Town or Osaka, and also with many farmers in wide area of Kochi prefecture.

Their business policy was to deal with only safe, high quality, unique vegetables and food items mainly produced in Kochi prefecture, because they had a mission to encourage the farmers and industries in Kochi from their business start.

Usually, most of this kind of specialty stores of local products cannot earn much money and have bad financial status. However, Tosa-Senri recorded outstanding good financial result and good annual sales over one hundred million Yen only by small number of staffs. The main reason of their success was their communication style. They absorbed much information about the products, such as unique characteristics or how to cook it, from the farmers by visiting them in Kochi, and described such information on the papers in the shop to be easily understood by the customers. They also tried to talk with many visiting customers on their items to absorb the demand of customers and to tell it to the farmers. Their manner of business made many customers satisfactory and led the much amount of business. They established a strong linkage with many farmers in Kochi and also with many consumers in Osaka. That is they built a tight linkage between producers and consumers and thus could sell many items to realize a superior sales amount. This linkage was based on the joint-mission, such as respect on safe and high quality foods, some kinds of moral or ethics to provide good products to consumers, or some kinds

of similar value of life to enjoy high quality, natural life, what we call “slow life.”

The schematic illustration on their business model and the joint-mission and the human networks they used in the business are indicated in Fig. 4.

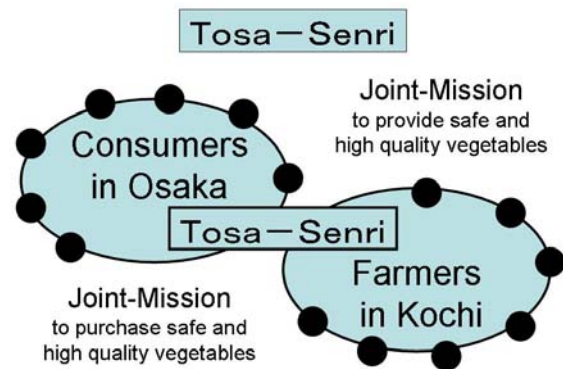


Fig. 4. Schematics of business and network in case 3.

4. COMPARATIVE ANALYSIS

By observing the described three cases, we recognize that human network collaboration is indispensable for all of the cases. In a small isolated island like Taketomi-jima, the resident people cannot achieve anything without mutual collaboration. Also in a medium scale of regional business like Chikamori-kai, network collaboration and positioning in the network structure is very important to realize the profitable business model. Even in a retail business in large city like Tosa-Senri, the close communication among the human network of consumers and producers is a basis of their successful business. The connection of the people in such a retail business is a strong feeling of demanding/supplying safe and high-quality products and sharing a similar value of life.

Back to the following viewpoints for observing, it is clear that joint-mission and human network play a

significant role in their business models.

Point 1: How were the organization and the human network established?

Point 2: How do they obtain profits?

Or how do they enlarge their business?

Regarding the following characteristics of joint-mission and human networks observed in the three cases, some implications can be obtained through analysis.

Point 3: What is joint-mission and how was it established?

Point 4: How do they communicate and what is the linkage among people?

Point 5: What is the benefit for each member of human network and organization?

The implied propositions are summarized as follows.

- 1) In the human network observed in the cases, the members of the organization and the human network are mutually exchanging explicit knowledge and also sharing their tacit knowledge on business or technology.
- 2) To form such a human network, close meeting or frequent face-to face communication are important.
- 3) Also, to form such a human network, they need strong joint-mission, particularly for the long term business scheme.
- 4) In a smaller scale of business area, the sense of solidarity in daily life in community or regional hometown feeling/affection themselves can be such joint-mission.
- 5) In a larger scale of business area, they need some kinds of social responsibility, moral, ethics, a kind of value of life to form the joint-mission, in addition to short term common interest.
- 6) Human network, built with joint-mission, enable to establish business platform as a basis of business model, in the cases studies here.

The schematic explanation is described in Fig. 5 and Fig. 6, as follows.

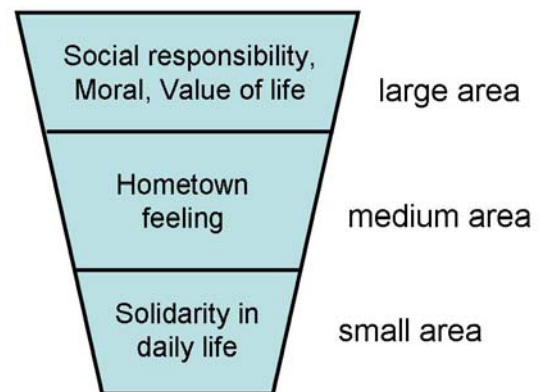


Fig. 5. Schematic of joint-mission vs. scale of community (market) area

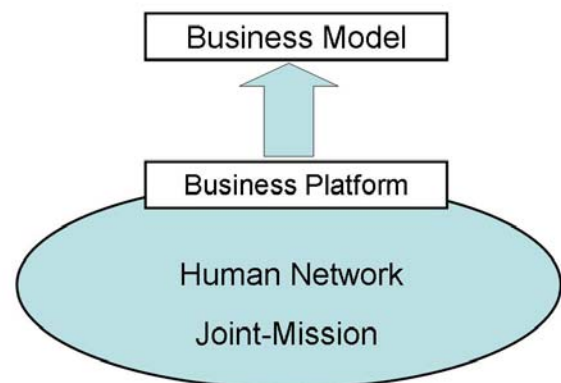


Fig. 6. Schematic of business model/platform vs. human network and joint-mission

The human network discussed here is schematically drawn in Fig. 5. If the business area is small, the network is almost same as the regional cluster shown in Fig. 1 (b). If the business area is large, such as Tosa-Senri, a kind of clustering network is enlarged in geometrical space, therefore it will be described as (c) in Fig. 7, comparing to (b). We may call this as clustering network as named after regional cluster.

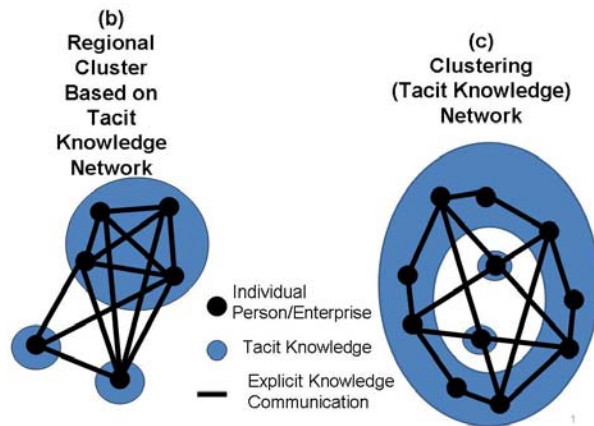


Fig. 7. Schematics of regional cluster and clustering network

In forming clustering human network sharing tacit knowledge, usually the people in the network need some kinds of joint-mission to unite or combine them. Therefore, joint-mission of people can be a basis of not only human network but also knowledge network, as a business platform for innovation.

In comparison with the well-known business platform of information network as described in Fig. 8 (1), the clustering network, as compared in (2) in the figure, is another type of business platform for current business.

Fig. 8 indicates that knowledge network which includes sharing of tacit knowledge is another strong platform for business in addition to information network which consists of sharing explicit knowledge. Information network can be enlarged easily by the communication technology, for example Internet or some other communication technologies. In contrast, knowledge network cannot be easily enlarged because of the physical limitation of networking, but sometimes it can be stronger platform for business model. The cases studied in this paper cannot be established without such stronger platform.

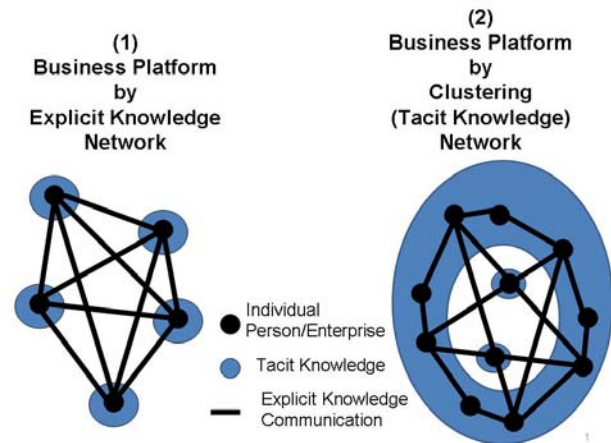


Fig. 8. Schematics of two types of business platform

5. CONCLUSION AND FUTURE STUDY

In this paper, three kinds of enterprises (business cases), Taketomi-jima Koutsuu, Chilamori-kai, and Tosa-Senri, were described and analyzed.

Throughout the analysis, we conclude that, in the knowledge-based society, the significance of human network as business platform is getting larger. Also, joint-mission is a key element of forming human network, thus hometown feeling, solidarity, some kinds of moral, and a similarity of value of life in regional community are themselves intangible asset as a basis of regional business. Whatever it may be a large enterprise or a small/medium enterprise, or whatever it may be a large scale business or a small/medium one, some kinds of joint-mission and human network should be required to establish their business platform.

The implications obtained through this study are summarized as follows.

- 1) Human network plays a significant role to establish business model for regional development.
- 2) In such a human network, the members of the network mutually exchange explicit knowledge and

also share their tacit knowledge on business or technology, through close meeting or frequent face-to-face communication.

3) To form such a human network, people need strong joint-mission, based on the community in the business area, particularly for the long term business scheme.

These implications will be very suggestive not only for regional development but also for many contemporary enterprises to enlarge their business to survive in the current competitive, global market. Regardless the scale/field of business, there should be some similarities on effective business strategies for many enterprises in knowledge-based society.

To clarify the universality of the above-mentioned implications, many additional business cases should be researched to evaluate the propositions. Also the details of characteristics of clustering human network shall be analyzed through such case studies.

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